

# June Quarter 2019 Results



This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted earnings per share/ADS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to Adjusted/Non-GAAP Measures Reconciliation.

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. Among other things, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this announcement, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s expected revenue growth; Alibaba’s goals and strategies; Alibaba’s future business development; Alibaba’s ability to maintain the trusted status of its digital economy; risks associated with sustained investments in Alibaba’s business, strategic acquisitions and investments; Alibaba’s ability to maintain or grow its revenue or business, to compete effectively and to maintain and improve the network effect of its digital economy; Alibaba’s ability to maintain its culture and to continue to innovate; risks associated with Alibaba’s growing business and operations, including international and cross-border business and operations; and fluctuations in general economic and business conditions in China and globally. Further information regarding these and other risks is included in Alibaba’s filings with the SEC. All information provided in this results announcement is as of the date of this results announcement and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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## **Financial Results**

# June Quarter 2019 Financial Highlights

## Revenue



**42%** YoY  
Total Revenue Growth

**44%** YoY  
Core Commerce  
Revenue Growth

## Cloud



**66%** YoY  
Cloud Computing  
Revenue Growth

## Consumers



**755 MM**  
Mobile MAUs <sup>(1)</sup>

**674 MM**  
Annual Active Consumers <sup>(2)</sup>

## Profitability and Cash Flow



**RMB34.6 Bn**  
Adjusted EBITA

**US\$3.8 Bn<sup>(3)</sup>**  
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended June 30, 2019.

(1) For the month ended June 30, 2019; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended June 30, 2019; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ in this presentation were made at RMB6.8650 to US\$1.00, the exchange rate on June 28, 2019 as set forth in the H.10 statistical release of the Federal Reserve Board. <sup>4</sup>

# June Quarter Revenue

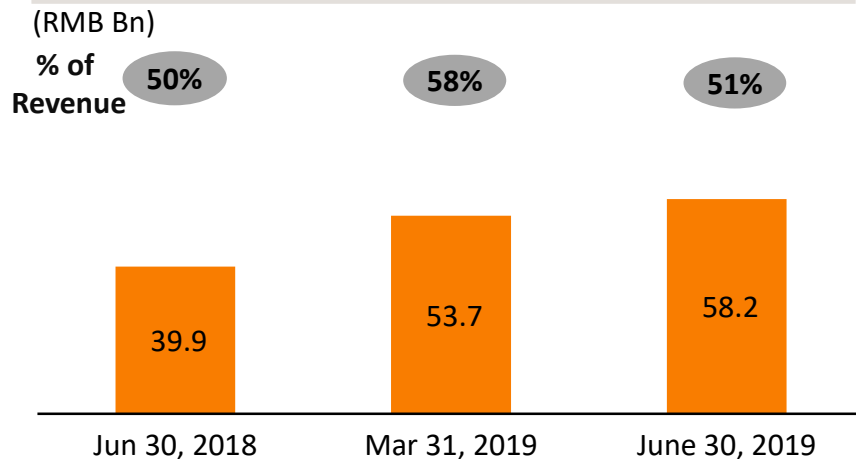
- **Total Revenue** YoY growth of 42% was mainly driven by the robust revenue growth of our China commerce retail business, Ele.me (which we consolidated in May 2018) and Alibaba Cloud.

## Total Revenue Breakdown

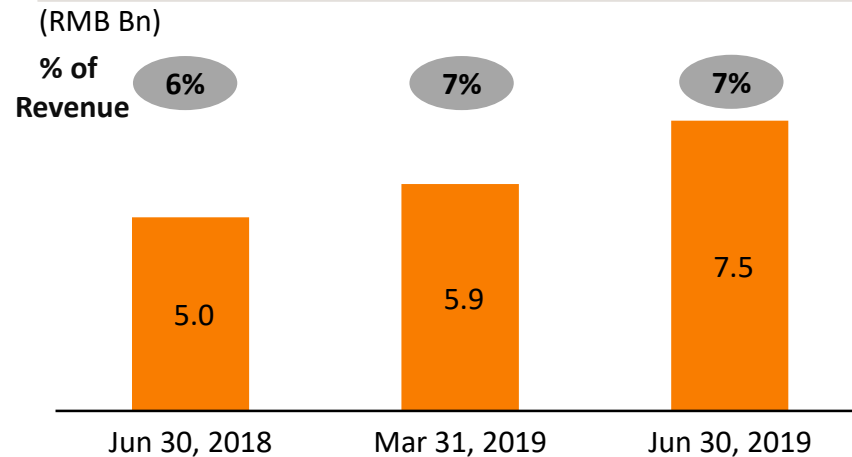
	<u>Three months ended June 30, 2019</u>			
	<u>RMB MM</u>	<u>% of Revenue</u>	<u>YoY %</u>	
Core commerce:				
China commerce retail				
- Customer management	41,954	37%	27%	} 26% YoY
- Commission	16,902	15%	23%	
- Others	16,745	14%	134%	
	<u>75,601</u>	<u>66%</u>	<u>40%</u>	
China commerce wholesale	2,992	3%	33%	
International commerce retail	5,567	5%	29%	
International commerce wholesale	2,245	2%	22%	
Cainiao logistics services	5,005	4%	50%	
Local consumer services	6,180	5%	137%	
Others	1,954	2%	123%	
<b>Total core commerce</b>	<b><u>99,544</u></b>	<b><u>87%</u></b>	<b><u>44%</u></b>	
Cloud computing	7,787	7%	66%	
Digital media and entertainment	6,312	5%	6%	
Innovation initiatives and others	1,281	1%	21%	
<b>Total</b>	<b><u><u>114,924</u></u></b>	<b><u><u>100%</u></u></b>	<b><u><u>42%</u></u></b>	

# June Quarter Cost Trends

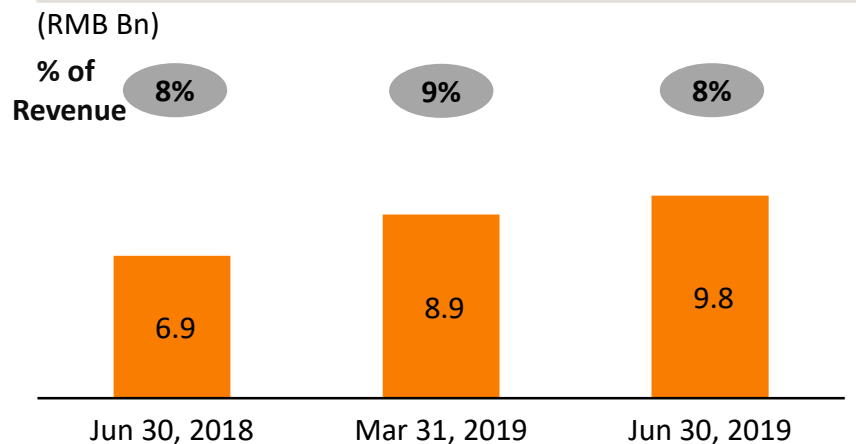
## Cost of Revenue (Excluding SBC)



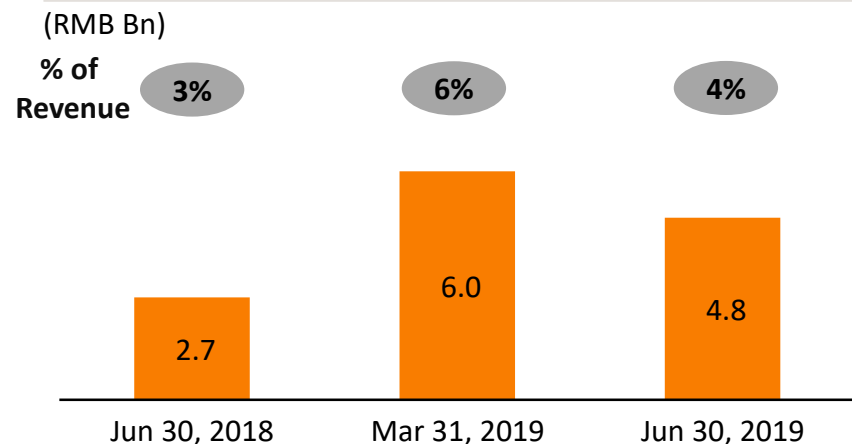
## Product Development Expenses (Excluding SBC)

















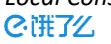
















## Sales & Marketing Expenses (Excluding SBC)



## General & Administrative Expenses (Excluding SBC)



# June Quarter Segment Reporting<sup>(1)</sup>

	<b>Core Commerce</b> <i>China Commerce Retail</i>          <i>China Commerce Wholesale</i>  <i>International Commerce Retail</i>   <i>International Commerce Wholesale</i>  <i>Cainiao Logistics Services</i>  <i>Local Consumer Services</i>  	<b>Cloud Computing</b> 	<b>Digital Media &amp; Entertainment</b>          	<b>Innovation Initiatives &amp; Others</b>    	<b>Un-allocated<sup>(2)</sup></b>	<b>Consolidated</b>
Jun Q 19 Revenue (MM)	<b>RMB 99,544</b> <b>US\$ 14,500</b> <b>44% YoY</b>	<b>RMB 7,787</b> <b>US\$ 1,134</b> <b>66% YoY</b>	<b>RMB 6,312</b> <b>US\$ 920</b> <b>6% YoY</b>	<b>RMB 1,281</b> <b>US\$ 187</b> <b>21% YoY</b>	-	<b>RMB 114,924</b> <b>US\$ 16,741</b> <b>42% YoY</b>
Jun Q 19 Adjusted EBITA (MM)	<b>RMB 41,025</b> <b>US\$ 5,976</b>	<b>RMB (358)</b> <b>US\$ (52)</b>	<b>RMB (2,233)</b> <b>US\$ (325)</b>	<b>RMB (1,965)</b> <b>US\$ (286)</b>	<b>RMB (1,913)</b> <b>US\$ (279)</b>	<b>RMB 34,556</b> <b>US\$ 5,034</b>
Jun Q 19 Adjusted EBITA Margin (%)	<b>41%</b>	<b>(5%)</b>	<b>(35%)</b>	<b>(153%)</b>	-	<b>30%</b>

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

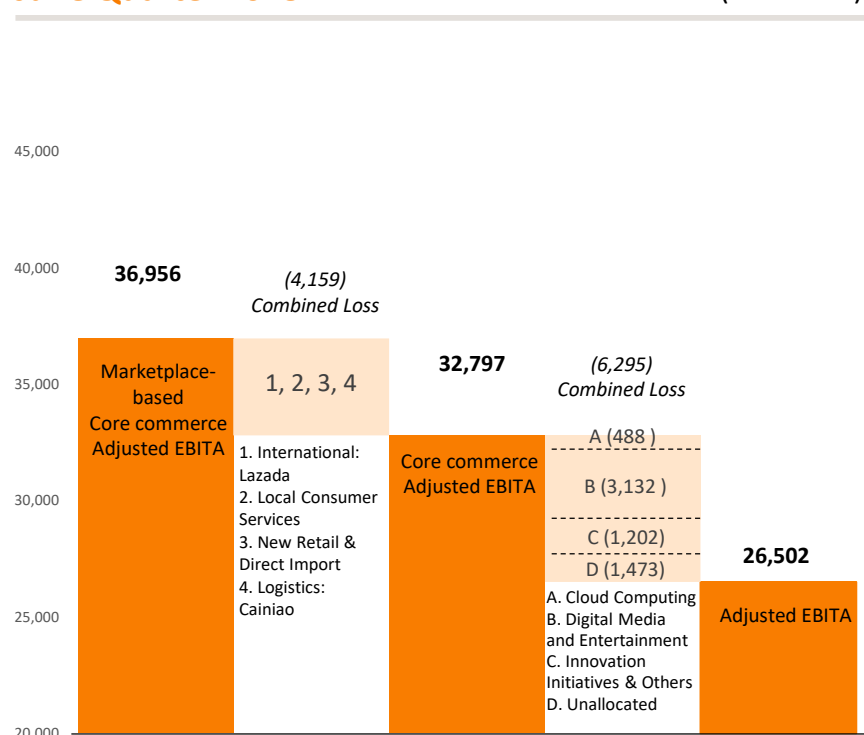
(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

# June Quarter Adjusted EBITA by Segment

- **Marketplace-based Core Commerce Adjusted EBITA** increased 27% YoY to RMB46,800 million (US\$6,817 million). Strong marketplace-based core commerce profits allow us to invest in areas that add value to our customers and contribute to long-term growth for the company.
- **Core Commerce Adjusted EBITA** increased 25% YoY to RMB41,025 million (US\$5,976 million). Core Commerce Adjusted EBITA margin was 41%.
- **Cloud Computing** revenue increased 66% YoY to RMB7,787 million (US\$1,134 million), primarily driven by an increase in average revenue per customer. Adjusted EBITA was a loss of RMB358 million (US\$52 million).
- **Digital Media and Entertainment** revenue increased 6% YoY to RMB6,312 million (US\$920 million), primarily due to our consolidation of Alibaba Pictures. Adjusted EBITA was a loss of RMB2,233 million (US\$325 million).
- **Innovation Initiatives and Others** revenue increased 21% YoY to RMB1,281 million (US\$187 million), mainly due to an increase in revenue from Amap. Adjusted EBITA was a loss of RMB1,965 million (US\$286 million). The increase in adjusted EBITA loss was primarily due to investments in technological research and innovation, as well as investments in other business initiatives.

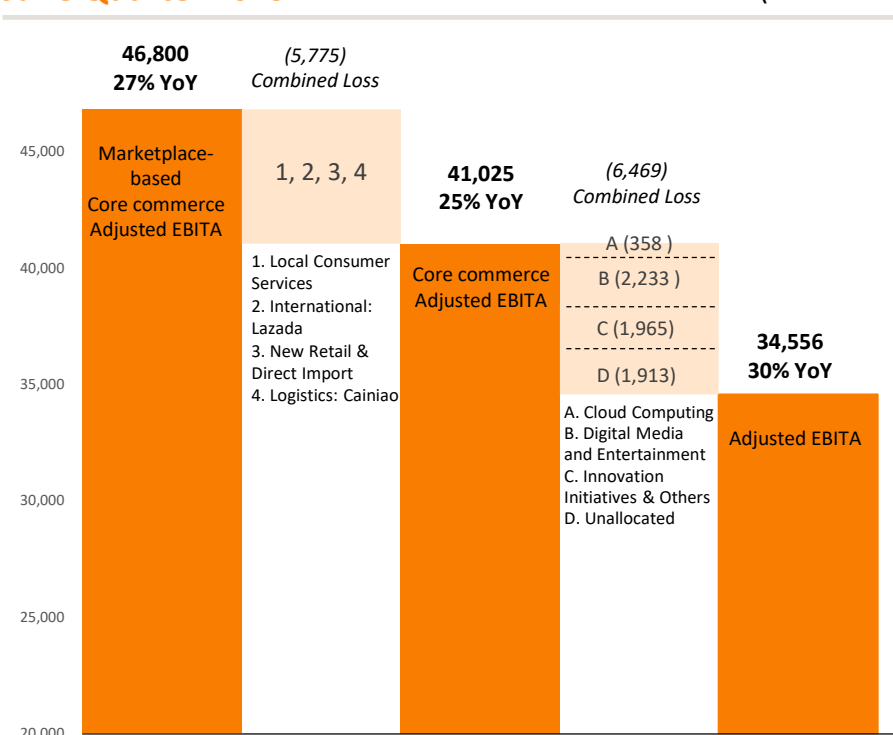
## June Quarter 2018

(RMB MM)



## June Quarter 2019

(RMB MM)



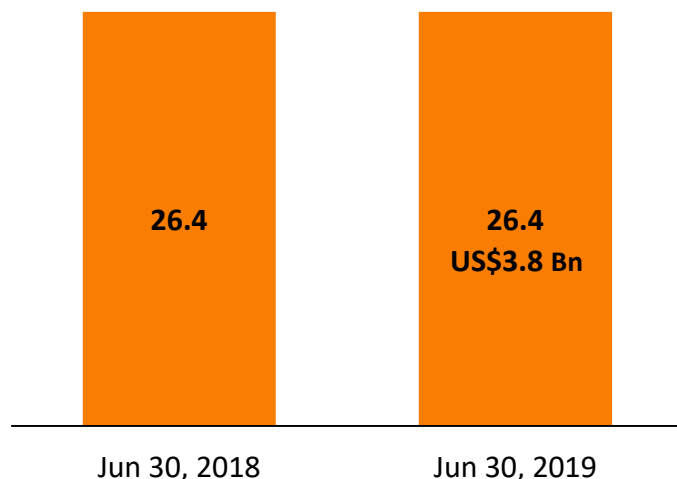


# Free Cash Flow & Capital Expenditures

- As of June 30, 2019, **cash, cash equivalent and short-term investments** were RMB212,189 million (US\$30,909 million). The increase from last quarter was primarily due to free cash flow generated from operations, partly offset by net cash used in investment and acquisition activities.
- During the June quarter, we generated **operating cash flow** of RMB34,612 million (US\$5,042 million), a decrease of 4% YoY, which was mainly due to a decrease in annual payment of royalty fees and software technology services fees from Ant Financial and payment of a US\$250 million cash settlement of a U.S. federal class action lawsuit that we agreed last quarter. We generated healthy **free cash flow** of RMB26,361 million (US\$3,840 million).

## Non-GAAP Free Cash Flow <sup>(1)</sup>

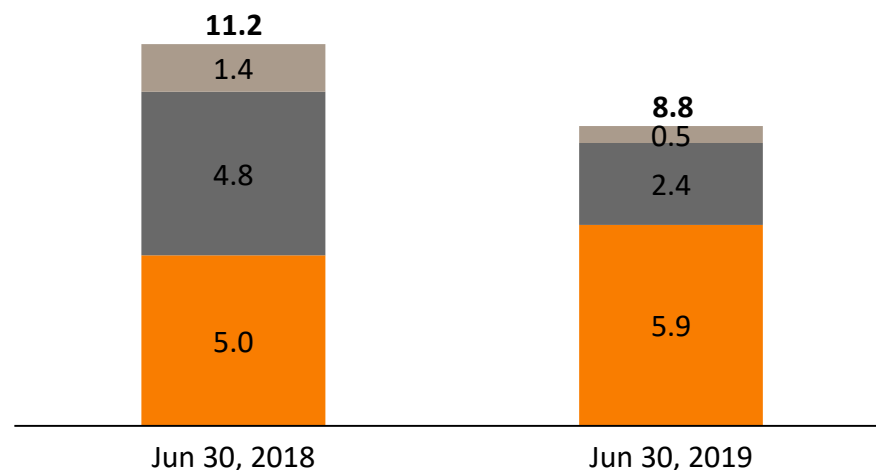
(RMB Bn)



## Capital Expenditures, Licensed Copyrights and Other Intangible Assets

(RMB Bn)

- Land Use Rights and Construction in Progress Relating to Office Campus
- Licensed Copyrights and Other Intangible Assets
- Operating Capex<sup>(2)</sup>



Notes:

- (1) Non-GAAP free cash flow represents net cash provided by operating activities as presented in Alibaba Group's consolidated cash flow statement less purchases of property and equipment (excluding acquisition of land use rights and construction in progress relating to office campus), licensed copyrights and other intangible assets.
- (2) Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campus).

## Other Financial Metrics

- During the June quarter, **other income, net** was RMB2,101 million (US\$306 million). **Royalty fees and software technology service fees** under our profit sharing arrangement with Ant Financial amounted to RMB1,627 million (US\$237 million).
- Share of Results of Equity Investees** for the quarter ended June 30, 2019 was a profit of RMB517 million (US\$75 million). We record our share of results of equity investees one quarter in arrears. Share of results of equity investees in the quarter ended June 30, 2019 and the comparative period consisted of the following:

In RMB MM	June Q 2018	June Q 2019
Share of (loss) profit of equity investees	(66)	941
Dilution loss	(108)	(5)
Others <sup>(1)</sup>	(481)	(419)
<b>TOTAL</b>	<b>(655)</b>	<b>517</b>

Notes:

(1) Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

# GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	June 30, 2018	June 30, 2019	
<b>Adjusted EBITA and Adjusted EBITDA</b>	<b>(RMB MM)</b>	<b>(RMB MM)</b>	<b>(US\$MM)</b>
Income from operations	8,020	24,375	3,551
Add: Share-based compensation expense	16,378	7,115	1,036
Add: Amortization of intangible assets	2,104	3,066	447
<b>Adjusted EBITA</b>	<b>26,502</b>	<b>34,556</b>	<b>5,034</b>
Add: Depreciation and amortization of property and equipment, and operating lease cost relating to land use rights	2,857	4,682	682
<b>Adjusted EBITDA</b>	<b>29,359</b>	<b>39,238</b>	<b>5,716</b>
<b>Non-GAAP net income</b>			
Net income	7,650	19,122	2,785
Add: Share-based compensation expense	16,378	7,115	1,036
Add: Amortization of intangible assets	2,104	3,066	447
Add: Impairment of investments	-	250	36
Less: Gain (loss) on deemed disposals/disposals/revaluation of investments and others	(5,408)	1,626	237
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	66	10
Adjusted for tax effects on non-GAAP adjustments	(689)	(296)	(43)
<b>Non-GAAP net income</b>	<b>20,101</b>	<b>30,949</b>	<b>4,508</b>
<b>Non-GAAP Free cash flow</b>			
Net cash provided by operating activities	<b>36,117</b>	<b>34,612</b>	<b>5,042</b>
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campus)	(5,005)	(5,856)	(853)
Less: Acquisition of licensed copyrights and other intangible assets	(4,754)	(2,395)	(349)
<b>Non-GAAP Free cash flow</b>	<b>26,358</b>	<b>26,361</b>	<b>3,840</b>

# GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	June 30, 2018	June 30, 2019	
Marketplace-based core commerce adjusted EBITA	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA for core commerce	32,797	41,025	5,976
Less: Effects of local consumer services, Lazada, New Retail and direct import and Cainiao Network	4,159	5,775	841
Marketplace-based core commerce adjusted EBITA	36,956	46,800	6,817



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